

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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Pricing and Procurement of Default Service ) D.T.E. 99-60

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COMMENTS OF NEWENERGY EAST, L.L.C.

NewEnergy East, L.L.C. ("NewEnergy") is pleased to submit the following comments in response to the questions set forth in the Department of Telecommunications and Energy's ("Department") Order dated May 12, 2000 regarding Pricing and Procurement of Default Service, D.T.E. 99-60-A.

NewEnergy appreciates and supports the Department's move to rationalize the provision of Default Service. NewEnergy believes that Default Service does represent a current difficulty and that a real solution must understand the basis of default service costs, analyze the results of a default service option under various scenarios and select a default service option that works in various reasonable scenarios. The objective of default service must be consistent with achieving a fair, efficient and competitive market.

NEWENERGY'S RESPONSES TO THE DEPARTMENT'S QUESTIONS

*Question No. 3:*

NewEnergy supports the inclusion of overhead and administrative costs, including, but not limited to, credit and collections, bad debt, customer service, regulatory expenses, procurement of Default Service, and customer education in the default service rate. The inclusion of these costs is necessary as the distribution company's overhead and administrative costs per KWH associated with providing default service. While the costs will not be significant when compared to the bid price for default service, it is critical to include these costs in the Default Service benchmark. Additionally, as the number of customers on Default Service increases and decreases over the years, the overhead and

administrative costs per KWH will change. As stated in the Department's Order the inclusion of these administrative costs "will allow competitive suppliers a fair and reasonable opportunity to compete for default service customers."

*Question No. 4:*

The cost of a distribution company's overhead and administrative costs should be determined by an accounting of such distribution company's costs. Until an accounting of this nature is conducted, a distribution company's overhead and administrative costs should be estimated at .5 mills per kilowatt hour.

*Question No. 7:*

NewEnergy supports the Department's function as overseer of default service procurement. Once the guidelines for the procurement are established, however, NewEnergy recommends that the Department allow the market to be the decision maker. In this regard, the Department should not issue or approve a standard contract. Each supplier should have the ability to structure and negotiate its own contract allowing the marketplace to dictate its fairness and equity.

NewEnergy urges the Department to move forward as expeditiously as possible with regard to establishing the guidelines for default service procurement. Although NewEnergy recognizes the need for adequate time to insure customer awareness of rate changes, the segue into market based pricing should be implemented as soon as possible in order to reduce deferral accounts. Because of the price shock that may result, NewEnergy recommends a proactive marketing plan aimed toward customers currently on default service. This plan, designed to help Default Service customers, should be implemented at actual costs without a mark-up. NewEnergy supports a multi-pronged approach, but the burden should not bourn solely by the distribution company. By a proactive marketing plan, NewEnergy suggests several strategies including, but not limited to, the submission by distribution companies to a mail house of a disk containing a list of default service customers. Once submitted to the mail house, the list may be purchased by competitive suppliers.

NewEnergy appreciates the opportunity to comment on the Department's Order.

Respectfully submitted,

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